

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Proceeding to Eliminate the Alternate
Format CRA Report

Docket No. RM2014-2

INITIAL COMMENTS OF THE PUBLIC REPRESENTATIVE
(January 7, 2014)

I. INTRODUCTION

On November 15, 2013, the Postal Service submitted a petition to eliminate filing the alternative format of the Cost and Revenue Analysis Report (CRA) required by the latter half of Commission Rule 3050.14.¹ The Postal Service in the same petition requested a waiver from filing the FY 2013 alternative format CRA Report while the matter was still being determined. On December 18, 2013, the Commission issued Order No. 1913 granting the waiver.

II. BACKGROUND

The Commission rationalized submission of periodic reports by the Postal Service, including the CRA in alternative format, as essential to its “enhanced information gathering and reporting responsibilities”² created by the Postal Accountability and Enhancement Act (PAEA).

¹ **§ 3050.14 Format of the Postal Service’s section 3652 report.** The Postal Service’s Cost and Revenue Analysis (CRA) report shall be presented in a format reflecting the classification structure in the Mail Classification Schedule. It shall also be presented in an alternative, more disaggregated format capable of reflecting the classification structure in effect prior to the adoption of the Postal Accountability and Enhancement Act. See Order 203 at 63

²Order 203 at 1.

To maintain continuity of data between pre and post PAEA Mail Classification Schedules given the change in reporting from subclass to product based, the Commission mandated the filing of the CRA in an alternative format.

It stated explicitly that this format would “facilitate analysis of trends in postal finances and operations and support model building with the use of time series and panel data. It would also accommodate future changes in the Mail Classification Schedule without destroying the usefulness of historical data for analysis and modeling going forward”.³

However, the Commission realizing the daunting task of updating the CRA in its more disaggregated format did not include it as part of a formal appendix but viewed it more as a “guidance document”.⁴

The Commission also initially envisaged the CRA reporting in the alternative format to continue for a specified period, “the first several years”⁵ and not for an unlimited duration. Pitney Bowes Inc concurred with the Commission that this “parallel reporting will facilitate more meaningful comparisons during the transition to the new reporting system under the PAEA”⁶ and recommended an expiration period of three years.

III. COMMENTS

The mechanics of assembling the Cost and Revenue Analysis Report (CRA) involves separation into cost segments accrued costs reported on the Postal Service

³ Order 203 at 24 and 25.

⁴ Id at 25

⁵ Order 104 at 16.

⁶ Reply Comments of Pitney Bowes Inc. to Order 104 at 3, November 14, 2008

general ledger using the results of variability studies. The cost segments are further segregated into cost pools and distributed to products based on factors derived from various postal specific data collection systems.

As products combine or morph into other products, the existing lines between the historical and the current mail classifications are stretched, until the plausible link connecting the two sets of data is broken, rendering invalid, the continued use of the initial factors for the distribution of costs. The Postal Service asserts that it joins this link between the historical and current mail classifications through the use of arduous, albeit tenuous calculations that lack consistency from year to year.

The Commission in its foresight had made accommodations for such a scenario. It stated that products with volumes insufficient to estimate costs could be footnoted in the report with a supporting reason for the lack of a suitable proxy.⁷

The Commission highlighted the importance of the alternate format of CRA reporting by emphasizing that it “provide(s) a particularly helpful reference point if the product lists under the PAEA undergo frequent refinement in the first few years of the new regulatory regime.”⁸

After seven years since the enactment of the PAEA, the Mail Classification Schedule has yet to stabilize as evidenced by the spate of reclassifications between categories in recent years. In fiscal year 2012, lightweight commercial parcels, certain Post Office Box services and certain Standard Mail parcels were transferred to Competitive services. Then again in fiscal year 2013, Standard Post and First-Class Package International Service were transferred to Competitive services.

⁷ Order 104 at 17.

⁸ Id.

IV. RECOMMENDATION

The Public Representative supports the elimination of the alternative format of CRA Report as it has outlived its initial usefulness as a stepping stone between the historical subclass and current product based reporting but is concerned that the inconstancy of the Mail Classification Schedule will disrupt continuity of the data to calculate trends and analyze aberrations.

In reaching its determination on the continued existence of the alternate format reporting of the CRA, the Public Representative urges the Commission to first consider whether the Mail Classification Schedule is still in flux and then as stated in its Order 203 “make a decision regarding the usefulness of the alternative format in the longer run”.⁹

Respectfully submitted,

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⁹ Order 203 at 28.